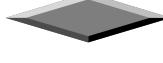


**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
HEALTH BENEFITS COMMITTEE
MEETING MINUTES**



April 22, 2008

The Health Benefits Committee met on Tuesday, April 22, 2008, in the Lincoln Plaza North Building, 400 Q Street, Sacramento, California.

The meeting was called to order at 2:00 p.m. with the following members present:

Priya Mathur, Chair
George Diehr, Vice Chair
Ruth Holton-Hodson representing John Chiang
Rob Feckner
Greg Beatty representing David Gilb
Henry Jones
Steve Coony representing Bill Lockyer
Tony Oliveira
Anne Sheehan

Other Board members present:

Kurato Shimada

**AGENDA ITEM 2 – APPROVAL OF MARCH 18, 2008, HEALTH BENEFITS
COMMITTEE MEETING MINUTES**

The March 18, 2008, Health Benefits Committee meeting minutes were approved as presented.

AGENDA ITEM 3A – HEALTH AND DISEASE MANAGEMENT INITIATIVE UPDATE

As an information item, Gregory Franklin, Assistant Executive Officer, Health Benefits Branch, and Chuck Hartwig of Mercer presented a report on the creation of a CalPERS-specific best-in-class Health and Disease Management Program. The report included: specific recommendations for the long-term direction of the Health and Disease Management program (including expansion to additional chronic conditions); an assessment of the feasibility of carving out components of the program; and, a description of how this initiative could fit within the Single Health Benefits Administrator Initiative.

The following people spoke on this item:

Tom McCaffrey, Blue Shield of California
Robert Honaker, Blue Cross of California
Dr. Doug Cappiello, Kaiser Permanente
Neal Johnson, SEIU Local 1000 & California Health Care Coalition

AGENDA ITEM 3B – CALIFORNIA REGIONAL HEALTH INFORMATION ORGANIZATION FEASIBILITY STUDY

Gregory Franklin, Assistant Executive Officer, Health Benefits Branch, presented staff's recommendations regarding the CalRHIO initiative.

On **MOTION** by George Diehr, **SECONDED** and **CARRIED**, the Committee recommended the Board: 1) endorse and support the RHIO concept in California; 2) direct CalPERS health plans to begin contract negotiations with CalRHIO to obtain its services and to include as part of these negotiations staff's seven suggested requirements as set forth on page three of Agenda Item 3b (copy attached), with the exception of the currently contemplated charges for CalRHIO's services contained in item 4 (which instead are to be negotiated), and to include Watson Wyatt's suggested requirements as set forth on page two of their memo dated April 16, 2008 (copy attached); 3) encourage CalRHIO and the CalPERS health plans to immediately engage in active dialogue regarding the execution of agreements to participate in CalRHIO's system for their entire books-of-business; 4) direct CalRHIO to provide Kaiser with the information it specifically requested from CalRHIO; and, 5) direct staff to report back to the Health Benefits Committee on May 14, 2008, regarding the status and terms of any negotiations between CalPERS health plans and CalRHIO for further review and analysis by the Committee.

The following people spoke on this item:

Tom McCaffrey, Blue Shield of California
Dr. John Mattison, Kaiser Permanente Southern California
Dr. Robert Honaker, Blue Cross of California
Dr. Don Holmquest, CalRHIO
Dr. Molly Coye, Health Technology Center

At this time, the Health Benefits Committee took a ten minute recess.

AGENDA ITEM 3C – MEDICARE ENROLLMENT IN THE BASIC HEALTH PLAN

As an information item, Gregory Franklin, Assistant Executive Officer, Health Benefits Branch, presented an explanation of how Kaiser calculates its basic health plan premiums based on the enrollment of members aged 65 and older in this plan, as well as the cost/benefit analysis to determine if it is cost-effective or cost-prohibitive to move all retirees currently in our basic health plans to Medicare plans.

AGENDA ITEM 3D – CALPERS HEALTH INFORMATION TECHNOLOGY STRATEGY

As an information item, Gregory Franklin, Assistant Executive Officer, Health Benefits Branch, outlined the key components of developing a three-year action plan in relation to health care information technology. With the assistance of Mercer Consulting, the project would consist of a two-phase process to define CalPERS interests, goals and priorities in developing and pursuing a health care IT strategy and involve a combination of literature search and interviews with key market players and IT experts, including, the investment community.

AGENDA ITEM 4A – STRATEGIC HEALTH COMMUNICATIONS – QUARTERLY UPDATE

As an information item, Pat Macht, Assistant Executive Officer, Office of Public Affairs, provided the Committee with scheduled communication efforts for various CalPERS constituent groups regarding this year's strategic health issues, objectives and decisions.

The following people spoke on this item:

Michael Baratz, SEIU
Brian Caldera, SEIU

AGENDA ITEM 5A – BLUE SHIELD WELLNESS PROGRAM PROPOSAL

By direction of the Chair, this item was deferred to the May 14, 2008, Health Benefits Committee meeting.

AGENDA ITEM 5B – HEALTH MAINTENANCE ORGANIZATION FINANCIAL RESERVES UPDATE

As an information item, Gregory Franklin, Assistant Executive Officer, Health Benefits Branch, provided the Committee with responses from Blue Shield of California and Kaiser Permanente to various financial questions previously posed by the Health Benefits Committee.

AGENDA ITEM 6A – SELF-FUNDED HEALTH PLANS 2007 CALENDAR YEAR-END FINANCIAL REPORT

As an information item, Gregory Franklin, Assistant Executive Officer, Health Benefits Branch, provided a report on the status of the financial reserves for the self-funded health plans. The on-going positive financial results for the program indicates that the rates approved by the Board for the 2007 plan year were sufficient to fund benefits and to maintain adequate reserves.

AGENDA ITEM 8A – MEDICARE PART D RETIREE DRUG SUBSIDY

Gregory Franklin, Assistant Executive Officer, Health Benefits Branch, presented staff's recommendations regarding the distribution of Medicare Part D Retiree Drug Subsidy (RDS) funds to contracting agencies.

On **MOTION** by Rob Feckner, **SECONDED** and **CARRIED**, the Committee recommended the Board: 1) employ a disbursement strategy linked to RDS funds actually received and reconciled; 2) distribute RDS funds to contracting agencies based on each agency's contribution toward its annuitants' health care premiums; 3) establish a procedure and implement processes between CalPERS, the State Controller's Office and the contracting agencies for the distribution of funds; and, 4) distribute future year funds in the same manner after the required reconciliation.

AGENDA ITEM 10 – ASSISTANT EXECUTIVE OFFICER REPORT

Gregory Franklin, Assistant Executive Officer, Health Benefits Branch, provided information on the CMS Survey they recently added to their hospital compare website, Blue Cross of California and Blue Shield of California's voluntary data sharing agreements with CMS, and CalPERS use of the data warehouse to retrieve lab and clinical data.

AGENDA ITEM 11 – PROPOSED AGENDA FOR MAY 14, 2008, HEALTH BENEFITS COMMITTEE MEETING

The proposed May 14, 2008 Health Benefits Committee Meeting agenda was accepted with a start time change to 9:00 a.m. and the addition of the following agenda items:

- California Regional Health Information Organization Feasibility Study
- Health and Disease Management Initiative Update
- Blue Shield Wellness Program Proposal

AGENDA ITEM 12 – PUBLIC COMMENT

There was no public comment.

The meeting was adjourned at 5:40 p.m.

The next meeting of the Committee is scheduled for May 14, 2008, in Sacramento, California, following adjournment of the Benefits and Program Administration Committee.

Attachments

Kenneth W. Marzion
Interim Chief Executive Officer